





Positioning Iowa
in the
New Economy



IOWA
DEPARTMENT OF
ECONOMIC DEVELOPMENT

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Defining the “New Economy”

- Past 100 years, vitality of US economy determined by “traditional” manufacturing - automobiles, steel, oil, and chemicals.
- Today, economy determined by information technology, communications and intellectual capital.
- The driving forces of the new economy are ideas, knowledge, services and advanced skills.
- Manufacturing remains important - Innovation, adaptation and reengineering define success for today's workers and businesses.

The New Economy Characteristics

- Knowledge is the major input.
- Productivity is Increasing. Deployment of technology is a driving force.
- Markets are global and competitive - labor vs. location.
- Entrepreneurs are spurring economic growth.
- New partnerships are the wave - co-competition creates a flexible economy.

Impact of New Economy

- Changes reshaping society to a degree not seen in history.
- State and local governments must implement new strategies to:
 - Enhance proficiency of their workforces.
 - Maintain an infrastructure that supports new business.
 - Offer a high quality of life for its residents.

Cluster Approach vs. Traditional Approach

- 1992 Battelle Target Industry Approach
 - Identification of an industry based on SIC Codes.
 - Analyzed national growth rates of the industry.
 - Matched growth industries with Iowa's technological and location strengths.
- Target Industry Cluster Approach
 - Redefines the industry sector boundaries.
 - Identifies groups of companies that rely on active set of relationships for efficiency and competitiveness.
 - Identifies firms in the same or related field, or linked by buyer/seller relationships, common customers, and linkages to the industry.

Industry clustering is a powerful framework for regional economic development because it captures relationships among specific industry sectors in a dynamic way. This provides a rich source of information about regional economic inter-relationships.

Clustering Development Strategy

- Improve short-term industry attraction efforts through the identification of industry "gaps" and Iowa's advantages.
- Define medium-term strategies for retaining, establishing, and growing regional industry.
- Organize long-term strategies to sustain growth.
- Emphasize strong area-wide groups.

Economic Foundation Factors

- Local conditions include:
 - Skilled and adaptable human resources.
 - Access to technologies for new products and processes.
 - Available financial capital to support new ventures, expansion of existing companies, and reinvestment in transition industries.
 - Advanced physical infrastructure for transportation, communication, energy, water, and waste handling.
 - Responsive regulatory and taxation structure that enhances competitiveness.

Iowa Target Industry Cluster Analysis

- Conducted by SRI International, private research and consulting firm, at the forefront of cluster approach to economic analysis and strategy.
- Addressed three important industry development issues:
 - Identification of broad target industry clusters.
 - Identification of best competitive niches within the clusters.
 - Identification of Iowa industries with the best regional prospects.

Iowa Target Industry Clusters

- Life Sciences
- Information Solutions
(Insurance/Financial Services and Software Development)
- Advanced Manufacturing

SRI Recommendations for Iowa

- Increase interaction between cluster companies and Iowa's universities and colleges.
- Build a focused state agenda that creates a stronger linkage between all stakeholders within the target industry clusters.
- Build on recent economic performance and focus on recruiting and retaining high-wage, high growth companies within high-wage, high growth clusters.

Observations and Conclusions

Sustained Industry Leadership is VITAL.

- Keeps everyone at the table.
- Provides "game plan" for industry participants and service providers.
- Sustains focus on competitiveness.

Governor's Technology Advisory Network

- *Robert J. Tibor* • State Science & Technology Advisor to the Governor and IDEO.
- Industry Cluster Advisors:
 - Advanced Manufacturing -Clay Jones, CEO • Rockwell Collins
 - Life Sciences -John Greaves, Ph.D., President • Kemin Industries
 - Information Solutions -Carl Williams, Sr. V P and CIO, • Principal Financial Group
- Industry Cluster Advisory Committees.
- Long-term technology investment plan to spur growth.

Advanced Manufacturing

- Access to Skilled Workers
Create an education, training and retraining clearinghouse.
- Access to Technologies
Broaden the scope of the AMRCC research and collaboration consortium.
- Supportive Regulatory Environment
Appoint a manufacturing regulatory alliance.

Information Solutions

- Access to Skilled Workers
Create a training/education council.
- Entrepreneurial Development/ Access to Capital
Establish a system of regional technology innovation networks in areas of concentration.
- Access to Technology Infrastructure

Life Sciences

- Business Development Focus
Establish an industry-driven life sciences consortium.
- Position Iowa as a Leader
Develop a comprehensive marketing-communications plan.

— Proposed — Organizational Structure

Iowa New Economy Council

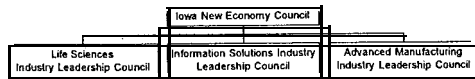
- Engage in ongoing assessment of Iowa's competitiveness relating to the economic foundations of the New Economy.
- Foster the development of industry clusters in life sciences, information solutions, and advanced manufacturing.
- Facilitate stronger relationships among Iowa's research institutions and high-technology businesses.

— Proposed — Organizational Structure

Industry Leadership Councils

- Industry leaders from the cluster chaired by senior executives of participating businesses.
- Representatives of Iowa research institutions, service providers, and other stakeholders.
- Engage in industry-specific issues.

— Proposed — Organizational Structure



Summary

- Knowledge-based economy demands a new approach.
- Research has shown the most successful initiatives are demand-driven (industry) with input from suppliers and university research experts.
- Together-state, local and regional organizations -with the private sector, Iowa can position itself in the New Economy to spur growth and investment.

Strategic Investment Fund

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Strategic Investment Fund Programs

Entrepreneurial Ventures Assistance (EVA)

Entrepreneurs With Disabilities (EWDI)

- ♦ Business Assistance Services for Entrepreneurs (BASE)

Self-Employment Loan Program (SELP)

Targeted Small Business Program (TSB)

Community Economic Betterment Account (CEBA)

- Comprehensive Management Assistance (CMA)
- CEBA Ventura

Entrepreneurial Ventures Assistance (EVA)

Purpose

- To provide financial and technical assistance to early-stage technology companies.

Entrepreneurial Ventures Assistance (EVA) Activity

<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
11 Awards	15 Awards	14 Awards
\$294,750	\$620,000	\$630,000
<u>FY 1999-2001 Average</u>		
13 Awards		
\$461,563		

Entrepreneurs With Disabilities (EWDI)

Purpose

- To provide technical and financial assistance to individuals with disabilities to assist with establishing, acquiring, maintaining or expanding a small business.

Entrepreneurs With Disabilities (EWDI) Activity

\$100,000 annual contracted services with the Department of Vocational Rehabilitation and the Division for the Blind.

Accomplishments:

- Provided technical and financial assistance to 160 businesses with average technical assistance of \$3,600 and average financial assistance of \$9,700.
- Leveraged ratio from commercial lenders of 3:1.

**Business Assistance Services for Entrepreneurs
(BASE)**

Purpose

- To provide information, training and technical assistance to individuals with disabilities who are interested in starting or expanding a small business in Iowa.

**Business Assistance Services for Entrepreneurs
(BASE) Activity**

\$83,000 Annual contracted services.

Accomplishments:

- Developed a regional resource guide identifying financial and technical assistance for the client base.
- Provided 15 extensive training sessions for clients contemplating starting a business with over 125 attendees.

**Self-Employment Loan Program
(SELP)**

Purpose

- To provide low-interest loans for new or expanding businesses owned by low-income individuals or persons with disabilities.

**Self-Employment Loan Program
(SELP) Activity**

<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
15 Awards	13 Awards	12 Awards
\$133,200	\$130,069	\$78,000

FY 1999-2001 Average

13 Awards
\$113,756

**Targeted Small Business Program
(TSB)**

Purpose

- To assist in the creation and expansion of minority, persons with disability and women owned small businesses within the state.

**Targeted Small Business Program
(TSB) Activity**

<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
48 Awards	42 Awards	54 Awards
\$842,784	\$638,825	\$758,180

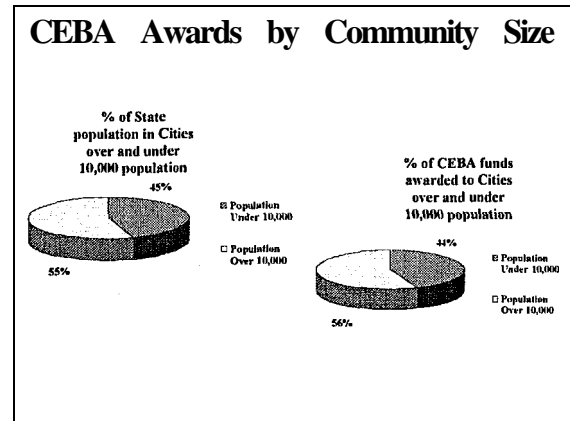
FY 1999-2001 Average

48 Awards
\$746,596

Aggregate Demand Strategic Investment Fund Non-CEBA Programs		
<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
\$1,370,734	\$1,571,894	\$1,549,180
<u>FY 1999-2001 Average</u>		
\$1,497,269		

Community Economic Betterment Account (CEBA)
<u>Purpose</u>
• To provide increased employment opportunities for lowans by increasing the level of economic development in the state.

Community Economic Betterment Account (CEBA) Activity		
<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
34 Awards	44 Awards	44 Awards
\$5,954,000	\$12,674,000	\$9,037,000
<u>FY 1999-2001 Average</u>		
41 Awards		
\$9,221,667		



CEBA Venture
<u>Purpose</u>
• To provide financial assistance to early stage and start-up companies which are under capitalized.

CEBA Venture Activity		
<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
3 Awards	15 Awards	8 Awards
\$400,000	\$1,666,000	\$900,000
<u>FY 1999-2001 Average</u>		
9 Awards		
\$955,333		

Total CEBA Demand

<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
\$6,354,000	\$14,340,000	\$9,837,000

FY1SSS- 2001 Averane

\$10,177,000

Total SIF Demand

	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
Awards	\$7,724,734	\$15,911,894	\$11,386,180
Admin/CMA	5675,000	\$616,426	\$962,262
VAAPFAP	-0-	-0-	\$3,000,000
Total	\$8,599,734	\$16,728,320	\$15,348,442

Average \$13,558,832

SIF Resources

	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
Appropriations	\$6,815,799	\$5,069,797	\$3,724,474
Recaptures	\$1,958,644	\$3,440,109	\$340,000
Repayments	\$2,504,505	\$2,144,353	\$2,463,176
ISCC/ICCLiq	-0-	\$7,562,486	\$5,310,079
Carry Forward	\$2,798,647	\$5,477,864	\$6,966,286
Total	\$14,077,595	\$23,694,606	\$18,804,015

Strategic Investment Fund Goals

- Assists start-ups and exciting new entrepreneurial ventures.
- Leverages substantial private capital investment.
- Creates / Retains increasingly higher wage jobs with quality fringe benefits.